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Digital Piracy— The Show Must Go On!

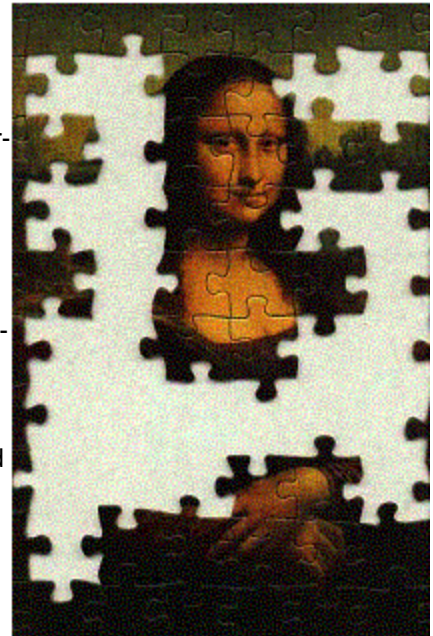
By Howard Greenfield

In a year or two, free broadband exchange of videos, music, and movies will begin to come under some kind of industry control. In the mean time, the commercialization of the current interactive sharing system seems elusive at best. In an effort to tame the situation, a bewildering number of rights management and security solutions are being floated by companies and organizations that stand to win or lose in the great digital marketplace.

Entertainment companies have a golden goose to protect: copyrighted assets will benefit from widespread digital rights management (DRM) and thwarting gratis distribution of digital media content. For now though, consumers share files like crazy. Free access reigns, as new and classic material is bootlegged through CD’s and a global peer-to-peer network archive. Broadcast television programming has always been supported by commercials and service subscriptions. However, in Cyberspace, there is a tradition, a great heritage of getting stuff for free on the Internet. It is, in fact, arguable that the Internet’s free access to words, images, and software (also eventually including cracked, copyrighted entertainment content) is what originally made the online experience so compelling and universal, contributing to its huge growth and current position as the world’s foremost new mass medium. Now, however, digital battle-lines have clearly formed between content-providers and consumers.

Government is trying to fix the problem. Representative Howard L. Berman, U.S. congressman representing a Hollywood constituency, has been pushing a remarkable new piece of legislation this year. Berman asserts that “massive theft of copyrighted works is the predominant use for public P2P networks today” and that “copyright owners should have the same right as other property owners to stop the notorious, brazen, and open theft of their property.” Probably true. But as a legislator, Berman’s position, however well intended, has struck many as being Orwellian. Though tempered by industry reaction, his bill authorizes companies to secretly log onto the computer of someone caught illegally downloading copyrighted content and ejecting them from Internet.

After government, there’s Microsoft. Their Media Player—bundled with every version of Windows, and therefore nearly every PC shipped—has just added new content protection features. For one, it enables a file format with fixed-time expiration licenses. In other words, the cus-



tomers “rents” a download. Peter Gabriel released his latest “Up” album in this manner and provided free previews from October 1 through 8. However, some experts believe this is insufficient protection, and that the road to true, secure entertainment assets will not be simple or cheap.

Irdeto Access provides secure conditional access to over 100 pay-media companies world-wide. Irdeto's Michiel Willemsen thinks a real solution is still beyond the grasp of current PC economics and technology. “Software encryption in an open (Windows PC or any other open platform) environment is vulnerable to hacking attacks: the software environment is well known, excellently documented, there is an abundance of highly trained specialists,” and security attacks can come “from within” (that is, someone with a legal subscription or legally obtained keys).” Irdeto believes more formidable security is needed to solve the problem such as “smart card technology combined with integrated decryption/decompression and an 'always-on' environment. [These] are the likely technologies that will be able to meet the stringent demands of the content owners”.

Well, perhaps Palladium will settle it. Microsoft also seeks to provide the consumer with software that resides on your future PC as part of its data protection system—the so-called “trusted platform”. Microsoft acknowledges it will take a huge installed base—perhaps 100 million—to start making a difference. Hmm. Maybe consumers will have to replace all their PC's with new, secure ones. Sounds like a new revenue generator for some in the industry. (As ZDNet has stated: “Who trusts Microsoft's Palladium? Not me”).

One thing is clear, the broadcast business is changing, and so are the stakes, as services go increasingly digital. The question is now becoming “who's video, movie, image, MP3 stuff is it, anyway”? Internet Napster alternatives, such as Kazaa and Morpheus, have made these basic ethical and legal questions on copying, sharing, and piracy a growing, mass issue.

At IBC (International Broadcast Conference) last fall, a panel called “Exploiting Cash From Your Content - Protect It And Collect It” debated copy-protection and selling movies over the internet emphasizing the sub-title “are we ready?”. In the quest for business models, the question was whether you could make a profit, and be legal at the same time by distributing films to Internet users. Jonathon Taplin, head of Intertainer, which attempted to deliver movies-on-demand prior to shutting down to file an anti-trust suit against Movielink, summed up the piracy issue with a poignant anecdote. At a dinner party, a friend was feeling pleased at having purchased the three latest, coolest CD's he knew his teen-age daughter wanted. However, her response caught him off guard: “Dad! You *bought* these for me? Why didn't you tell me? We could have just downloaded them off the Internet!”. It seems a whole generation has been raised on the idea of liberated content. The International Federation of Phonographic Industry (IFPI) estimates are that the music industry alone lost \$10B to piracy in 2001.

The process of creating commercial models for online entertainment content will have historic impact—and the future is being decided now as the Internet evolves and the legion of broadband consumers grows. Things have been moving fast, and despite any missing pieces, it looks like “we're ready” for show time on the Web. Movielink, backed by MGM, Paramount, Sony, Universal, and Warner Brothers is delivering Internet movies using DRM from both Microsoft and RealNetworks. Others, like Starz Encore Group, will be delivering legal movies online for three dollars each. Despite any debate regarding piracy, security, or business models, the show must go on!

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About the Writer



Howard Greenfield is a freelance writer who has held leadership roles in Fortune 1000 and some of Silicon Valley's top companies including Sun Microsystems, Informix Software, University of California, Apple Computer, Kraft and was VP, Product Marketing at Obvious Technology and Soffface. He is principal of Go Associates, a leading consultancy that develops and implements high-tech product marketing and business development strategies. Howard also currently serves on the board of BlueVoice, a non-profit marine life preservation organization.